

GRADWORKS INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2010



INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the accompanying financial statements of Gradworks Inc. which comprise the statement of financial position as at December 31, 2010, the statements of operations, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not for profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gradworks Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Sedley & Company LLP

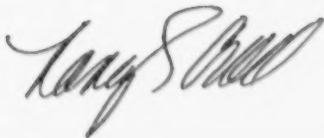
Chartered Accountants
Regina, Saskatchewan

March 3, 2011

GRADWORKS INC.
STATEMENT OF FINANCIAL POSITION
As at December 31

	2010	2009
ASSETS		
Cash	\$ 155,120	\$ 534,121
Accounts receivable (Note 3)	<u>211,145</u>	<u>215,197</u>
	<u>\$ 366,265</u>	<u>\$ 749,318</u>
LIABILITIES		
Accounts payable	\$ 10,141	\$ 11,509
Deferred revenue (Note 4)	316,890	703,850
Accrued vacation expense	<u>39,234</u>	<u>33,959</u>
	366,265	749,318
NET ASSETS	<u>-</u>	<u>-</u>
	<u>\$ 366,265</u>	<u>\$ 749,318</u>

(See accompanying notes)



_____, Director



_____, Director

GRADWORKS INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31

	2010	2009
REVENUES		
Operating grants	\$ 386,960	\$ 1,297,834
Reimbursement of Internship salaries and benefits (Note 4 (a))	2,736,620	1,406,036
Interest	<u>562</u>	<u>517</u>
	<u>3,124,142</u>	<u>2,704,387</u>
 EXPENSES		
Internship salaries and benefits	3,014,854	2,617,010
General administrative and other	<u>109,288</u>	<u>87,377</u>
	<u>3,124,142</u>	<u>2,704,387</u>
 EXCESS OF REVENUES OVER EXPENSES	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

(See accompanying notes)

GRADWORKS INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31

	2010	2009
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ -	\$ -
Items not involving cash:		
Decrease (increase) in accounts receivable	4,052	(211,872)
(Decrease) increase in accounts payable	(1,368)	1,180
(Decrease) increase in deferred revenue	(386,960)	632,166
Increase in accrued vacation expense	<u>5,275</u>	<u>15,039</u>
Cash (used in) provided by operating activities	<u>(379,001)</u>	<u>436,513</u>
NET CHANGE IN CASH DURING YEAR	(379,001)	436,513
CASH POSITION, BEGINNING OF YEAR	<u>534,121</u>	<u>97,608</u>
CASH POSITION, END OF YEAR	<u>\$ 155,120</u>	<u>\$ 534,121</u>

(See accompanying notes)

GRADWORKS INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. Status of the Corporation

Gradworks Inc. (the Corporation) was established on December 22, 2004 under *The Non-profit Corporations Act, 1995*. The Corporation is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the accounts of the Corporation are consolidated in the annual financial statements of CIC.

The Corporation is mandated to fund internships to qualified Saskatchewan graduates within provincial Crown corporations. The Corporation provides career development programs and mentorship to recent post secondary graduates while providing CIC subsidiary Crown corporations with access to young professionals.

CIC and certain of its Crown corporations provide grants to fund the Corporation (Note 4). The Corporation maintains a mandate to operate on a break-even basis.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations. The following are considered to be significant:

a) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from those estimates and would impact results reported in future periods.

b) Financial instruments

The following is a summary of the Corporation's financial instruments, their classification and measurement basis:

- Cash is measured at cost which approximates fair value due to its short-term maturity.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost.
- Accounts payable, deferred revenue and accrued vacation expense are classified as other liabilities and are measured at amortized cost.

c) Revenue recognition

Operating grants are received from CIC and certain CIC subsidiary Crown corporations. Operating grants from CIC are approved by Order in Council and recognized as revenue as expenses are incurred.

GRADWORKS INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. Summary of Significant Accounting Policies (continued)

d) Future accounting policy changes

The CICA Accounting Standards Board has confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook, which requires Government Business Enterprises (GBE's) to adopt IFRS and Other Government Organizations (OGO's) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. The Corporation, as a stand-alone entity is an OGO, however, because CIC has selected IFRS as its accounting platform, the Corporation will be adopting IFRS. The Corporation does not expect any adjustments to its assets, liabilities or equity during the transition to IFRS.

3. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations related to the Corporation by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Included in Accounts Receivable is \$208,721 (2009 - \$213,385) due from related parties.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

CIC provides management services to the Corporation without charge.

GRADWORKS INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

4. Operating Grants and Deferred Revenue

Operating grants are recognized as revenue as operating expenses are incurred. The difference between funds forwarded from CIC and operating expenses has been recorded as deferred revenue. Amounts recorded as deferred revenue are determined as follows:

	2010	2009
Opening deferred revenue	\$ 703,850	\$ 71,684
Operating funds (a)	2,736,620	1,406,036
CIC Grant	-	1,930,000
Less: Operating grants and reimbursements earned	<u>(3,123,580)</u>	<u>(2,703,870)</u>
Deferred Revenue	<u>\$ 316,890</u>	<u>\$ 703,850</u>

(a) Reimbursement of Internship Salaries and Benefits:

	2010	2009
CIC	\$ 45,929	\$ 40,784
ISC	176,221	72,742
SaskWater	6,285	11,836
SOCO	114,849	58,602
SGC	94,232	12,609
SaskPower	666,156	334,899
SIG	347,904	106,680
SaskTel	850,250	476,232
SaskEnergy	<u>434,794</u>	<u>291,652</u>
	<u>\$ 2,736,620</u>	<u>\$ 1,406,036</u>